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Is the Soviet Union Likely to Reduce Military Spending
to Provide Additional Agricultural Products and Consumer Goods?

The recent announcement by First Secretary Brezhnev that the Soviet Union planned to embark on a massive program to boost agricultural output during the next five year plan period (1966-70) has properly raised the question of the impact of such a program on future military expenditures. It is true that the new program, if implemented, would represent a huge investment -- 71 billion rubles, or about U.S. \$79 billion at the official rate of exchange -- in the awesomely inefficient Soviet farm system. In the minds of many citizens of the Western democracies, there is an assumption that, to implement the agricultural plan, defense outlays must be cut. The Soviet leadership has not announced its intention to cut defense spending in the years ahead; neither Brezhnev in his 24 March 1965 unveiling of the new agricultural program, nor Kosygin in his remarks about the new five year plan, made public on 19 April 1965, covered this point.

However, it would not be surprising if the Soviet budget for 1966, when announced, indicated an absolute reduction in the category identified as "defense." Such a statement would have international propaganda value as a means of claiming the peace-loving nature of the post-Khrushchev government.

Budgetary statements of this type in the past have frequently been misleading, designed to promote the image the Soviets wish to present to the world rather than to represent accurately programmed military expenditures. First of all, what the Soviets define as "defense" in their State Budget does not include all expenditures on military and space activities. Secondly, the degree to which the budgetary category, "defense," approximates the total of military and space outlays almost certainly varies from year to year. In mid-1961, for example, Khrushchev's reaction to increased emphasis by the United States on advanced weapons systems was to restructure Soviet budgetary accounts so that military spending would appear to be impressively large -- 12.4 billion rubles for the year compared with an announced plan of 9.3 billion rubles at the beginning of 1961. An increase of 33 percent in the 1961 full year total could only have been achieved in a six-months period by re-definition of what constituted defense, not by a real increase in spending of the implied proportion.

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A recent case of distortion in the opposite direction has been noted. At the Supreme Soviet meeting in December 1964, it was announced that defense spending would be cut by 500 million rubles in 1965, or 4 percent below the 1964 plan. However, research and development for the military and space programs is not included under the Soviet definition of defense, but in a sub-category showing allocations for science. Since expenditures on science for 1965 were scheduled to increase nearly 9 percent over 1964, and since the bulk of scientific outlays are for military and space research, most Western observers of Soviet affairs believe that the actual total of Soviet military and space spending in 1965 will not decrease as officially claimed. It is particularly important to recall that during the period 1960-1964, when research and development expenditures for military programs were rising very rapidly, outlays under the heading of "Science" rose about 60 percent. Finally, Western students of Soviet accounting practices point to the very large size of the undefined residual categories, which in total almost equal in size the published defense expenditures, providing ample room to conceal military procurement and construction.

An analysis of Brezhnev's agricultural plan for 1966-70 which takes account of its impact on scarce quality resources (manpower and material) concludes that the USSR can continue its heavy emphasis on military and space research and development and the planned expansion in the deployment of advanced weapons systems. The kinds of resources needed to provide agriculture with the new inputs Brezhnev specified, such as tractors, trucks, and agricultural and construction machinery, impose an additional burden on the traditional branches of heavy industry which have long experience in the assembly line production of standardized equipment. Although the production of conventional weapons of the 1950's drew heavily on these sectors of Soviet industry, modern weapon systems require less from these sectors and depend more on the newer industries producing electronics, missiles, precision mechanisms and the like. Additional numbers of scarce scientists, design engineers and highly trained technicians need not be diverted from military and space installations to agricultural machinery plants. It is very unlikely, however, that the Soviet regime would try to or could implement the agricultural program as well as a substantial increase in defense spending.

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It is true that if agriculture is to receive the share of resources during 1966-70 that Brezhnev proposed, other claimants must be squeezed. While general promises have been made of increased supplies of consumer goods, no specific figures have been released for 1966-70. The most likely place for the cut to be taken would be in industrial investment, the consequence of which would be to reduce further the growth of industrial output. Such a reallocation could leave military and space expenditures unimpaired -- indeed they could grow modestly in the 1966-70 period -- thus keeping alive a challenge to the West in the most important areas of national power.

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